

Diesel Fuel Fact Sheet

Issue:

- What is the treatment of taxation as it relates to diesel fuel and its use for taxable and non-taxable purposes?
- What changes does the Governor's proposed transportation funding bill make to the taxation of diesel?

Background:

- Diesel fuel is taxed at a rate of 17.5 cents per gallon for on road use. The tax is levied at the rack (wholesale level) and remitted monthly to the Department of Motor Vehicles.
- Certain uses of diesel are eligible for a refund of taxes paid. Examples of refundable uses of diesel include, but are not limited to:
 - ✓ Agriculture, non-highway use
 - ✓ Boats and watercraft
 - ✓ Taxis and Common Carriers of Passengers
 - ✓ Governmental Use
- For those entities eligible for a refund of diesel tax, they can use dyed diesel, which is untaxed directly from the wholesaler, or they can purchase taxed fuel and apply for a refund through the Department of Motor Vehicles.
- The Department of Motor Vehicles enforces these motor fuels tax laws through law enforcement operations with the inspection of tanks as well as tax audits of entities that distribute these types of fuel.
- In FY 2012, DMV collected \$186.0 million in tax on diesel, of which \$11.3 million was refunded for net total diesel collections of \$174.7 million.
- In FY 2012, 358.5 million gallons of dyed (untaxed) diesel sales were reported. This fuel is not taxed and as such is not eligible for a refund.

How the Governor's Bill impacts this issue:

- The Governor's proposed legislation on transportation makes no changes to the taxation of diesel and makes no changes to the refund provisions for diesel used for statutorily provided purposes.